

Testimony Supporting

H.B. 5854: An Act Concerning the Number of Wage and Hour Inspectors at the Labor Department

H.B. 6594: An Act Concerning Noncompete Agreements

Labor and Public Employees Committee
February 7, 2023

Dear Senator Kushner, Representative Sanchez, Senator Sampson, Representative Ackert, and esteemed members of the Labor and Public Employees Committee:

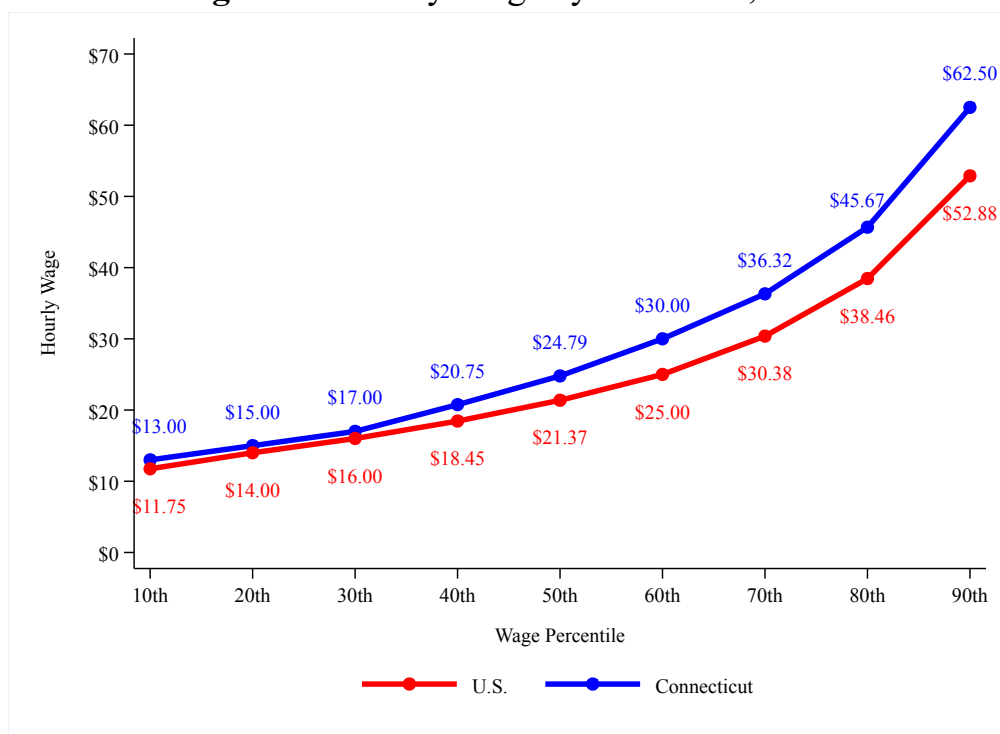
My name is Patrick O'Brien, and I am submitting testimony on behalf of Connecticut Voices for Children (CT Voices), a research-based child advocacy organization working to ensure that Connecticut becomes a thriving, equitable state where all children achieve their full potential.

CT Voices supports H.B. 5854: An Act Concerning the Number of Wage and Hour Inspectors at the Labor Department

H.B. 5854 would amend the general statutes “to require a minimum of forty-five wage and hour inspectors to be employed at the Labor Department.” CT Voices support this bill for several key, related reasons addressed below.

Connecticut has an higher level of wage inequality compared to the U.S. as a whole. **Figure 1** shows the high level of wage inequality in the U.S. and Connecticut in 2021 using data from the U.S. Census Bureau.¹ In the U.S., workers made \$11.75 per hour at the 10th percentile of the wage distribution, \$21.37 at the 50th percentile (the median or typical worker), and \$52.88 at the 90th percentile. Put in terms of wage inequality ratios—the 90/10 ratio and the 90/50 ratio—workers at the 90th percentile made 4.5 times more per hour than workers at the 10th percentile and 2.5 times more than workers at the 50th percentile. In comparison, workers in Connecticut made \$13.00 per hour at the 10th percentile, \$24.79 at the 50th percentile, and \$62.50 at the 90th percentile. Put in terms of wage inequality ratios, workers at the 90th percentile made 4.8 times more per hour than workers at the 10th percentile and 2.5 times more than workers at the 50th percentile. Although there is a high level of wage inequality in both the U.S. and Connecticut, wage inequality—specifically, the 90/10 ratio—is greater in Connecticut due to the relatively higher level of wages at the top of the distribution.

Figure 1. Hourly Wage by Percentile, 2021



*Data from EPI's extracts of the Current Population Survey and author's calculations.

Connecticut has substantial gender, racial, and ethnic wage gaps that increase wage inequality for certain groups of workers, even when controlling for the key wage factors of experience, education, union coverage, and more. **Table 1** shows by major demographic group in Connecticut in 2021 multiple measures of the hourly wage (average, 10th percentile, 50th percentile, and 90th percentile) and it also shows the key wage factors of age, education, and union coverage.² Below is an overview of the gender, racial, and ethnic wage gaps in Connecticut in 2021.

Gender wage gap. The average hourly wage was \$30.46 for women compared to \$37.78 for men, meaning the average working woman earned \$0.81 for each dollar that the average working man earned. Our research also shows that the gender wage gap increases at higher wage percentiles, connecting the gender wage gap to wage inequality, and the gender wage gap remains substantial even when controlling for the key wage factors of experience, education, union coverage, and more.³

Racial wage gap. The average hourly wage was \$27.99 for Black workers compared to \$37.39 for white workers, meaning the average Black worker earned \$0.75 for each dollar that the average white worker earned. Our research also shows that the racial wage gap increases at higher wage percentiles, connecting the racial wage gap to wage inequality, and the racial wage gap remains

substantial even when controlling for the key wage factors of experience, education, union coverage, and more.⁴

Ethnic wage gap. The average hourly wage was \$24.89 for Hispanic workers compared to \$37.39 for white workers, meaning the average Hispanic worker made \$0.67 for each dollar that the average white worker earned. Our research also shows that the ethnic wage gap increases at higher wage percentiles, connecting the ethnic wage gap to wage inequality, and the ethnic wage gap remains substantial even when controlling for the key wage factors of experience, education, union coverage, and more.⁵

Table 1. Hourly Wage and Key Wage Factors by Demographic, Connecticut 2021

Demographic	Hourly Wage				Average Age	Bachelor's Degree or Higher	Union Coverage
	Average	10th Percentile	50th Percentile	90th Percentile			
All Workers	\$34.11	\$13.00	\$24.79	\$62.50	43.0	46.7%	16.2%
Gender							
Men	\$37.78	\$13.88	\$27.47	\$74.47	42.9	43.3%	12.8%
Women	\$30.46	\$12.50	\$22.41	\$54.63	43.1	50.1%	19.5%
Race/Ethnicity							
White	\$37.39	\$14.00	\$28.00	\$74.47	45.0	52.1%	16.1%
Black	\$27.99	\$12.50	\$20.00	\$50.00	41.5	34.5%	22.6%
Asian	\$40.30	\$13.00	\$30.00	\$96.50	42.5	71.3%	10.5%
Hispanic or Latino/a/x	\$24.89	\$12.00	\$18.00	\$46.63	37.4	27.9%	13.6%
Age							
16 to 19 Years Old	\$12.09	\$8.00	\$12.65	\$16.00	17.7	1.4%	4.0%
20 to 24 Years Old	\$17.55	\$12.00	\$15.00	\$26.92	22.2	39.8%	12.6%
25 to 54 Years Old	\$35.53	\$14.00	\$26.00	\$62.50	38.9	49.6%	16.3%
55 Years Old and Over	\$38.77	\$13.20	\$28.85	\$91.94	61.9	48.4%	18.5%
Education							
Less than High School	\$15.94	\$9.00	\$13.20	\$23.75	35.9	0%	10.5%
High School	\$22.70	\$12.50	\$19.00	\$37.50	43.5	0%	15.6%
Some College	\$24.60	\$12.75	\$20.00	\$40.87	42.1	0%	16.4%
Bachelor's Degree or Higher	\$47.10	\$15.00	\$37.02	\$109.81	44.1	100%	17.1%
Union Coverage							
Union Coverage	\$32.00	\$15.00	\$28.50	\$48.08	45.6	49.4%	100%
No Union Coverage	\$34.52	\$12.75	\$24.00	\$67.00	42.5	46.2%	0%

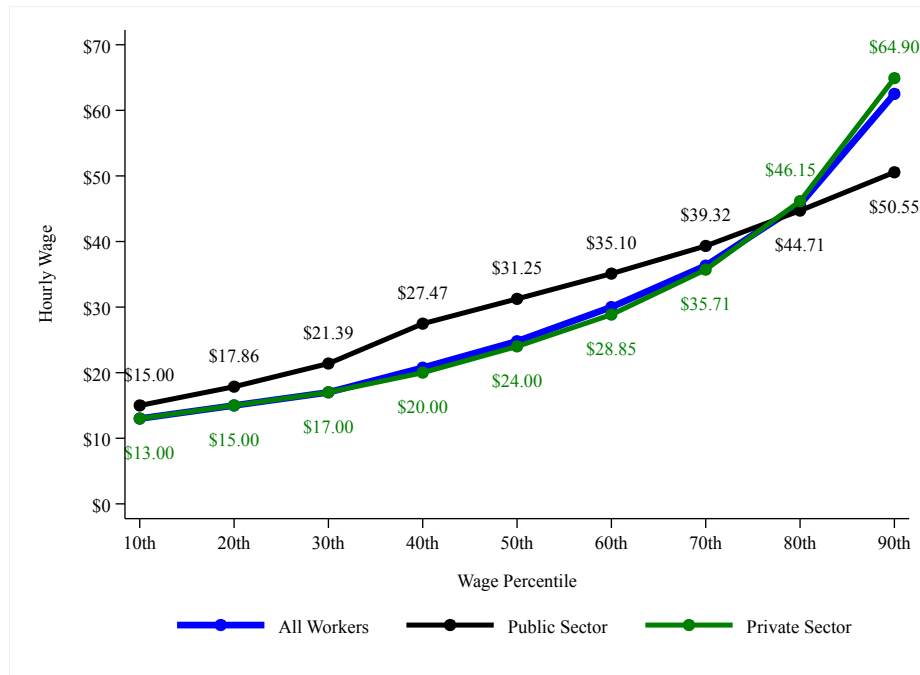
*Data from EPI's extracts of the Current Population Survey and author's calculation

Increasing the number of wage and hours inspectors will help to reduce Connecticut's high level of wage inequality and substantial gender, racial, and ethnic wage gaps because wage theft disproportionately harms low-wage workers, which disproportionately includes women and workers of color. Past research from CT Voices has highlighted the decline of wage theft inspections at the federal and state level,⁶ and a 2021 report from the Economic Policy Institute (EPI), a nonpartisan public policy think tank, addresses the scope and primary victims of wage theft: "Each year millions of workers across the country are victims of wage theft—meaning they are paid less than the full wages to which they are legally entitled. Between 2017 and 2020, more than \$3 billion in stolen wages was recovered on behalf of workers by the U.S. Department of Labor, state departments of labor and attorneys general, and through class and collective action litigation. ... This staggering amount represents just a small portion of wages stolen from workers across the country. And while wage theft impacts workers broadly, it disproportionately affects low-wage workers, many of whom already are struggling to make ends meet. Wage theft also disproportionately impacts women, people of color, and immigrant workers because they are more likely than other workers to be in low-wage jobs."⁷

Increasing the number of wage and hours inspectors will help to reduce Connecticut's high level of wage inequality and substantial gender, racial, and ethnic wage gaps because public sector jobs, which are highly unionized, have a fairer wage distribution. **Figure 2** shows the hourly wage in Connecticut in 2021 by percentile for public sector workers and private sector workers compared to all workers.⁸ In the public sector, workers made \$15 per hour at the 10th percentile of the wage distribution, \$31.25 at the 50th percentile, and \$50.55 at the 90th percentile. Put in terms of wage inequality ratios, public sector workers at the 90th percentile made 3.4 times more per hour than public sector workers at the 10th percentile and 1.6 times more than public sector workers at the 50th percentile. In comparison, workers in the private sector made \$13 per hour at the 10th percentile, \$24 at the 50th percentile, and \$64.90 at the 90th percentile. Put in terms of wage inequality ratios, private sector workers at the 90th percentile made 5 times more per hour than private sector workers at the 10th percentile and 2.7 times more than private sector workers at the 50th percentile. The lower level of wage inequality for public sector workers compared to private sector workers based on both the 90/10 ratio (3.4 times compared to 5 times) and the 90/50 ratio (1.6 times compared to 2.7 times) demonstrates that public sector jobs are essential for reducing Connecticut's high level of wage inequality and substantial gender, racial, and ethnic wage gaps, which are all connected to wage inequality. Conversely, the loss of public sector jobs contributes to higher wage inequality and increased gender, racial, and ethnic wage gaps.

Expanding the analysis, **Table 2** shows by major sector and industry in Connecticut in 2021 multiple measures of the hourly wage and it also shows the key wage factors of age (a proxy for experience), education, and union coverage.⁹ As reviewed above, public sector jobs are essential for reducing wage inequality. This is due in large part to the difference in union coverage, which ranged from 69 percent of public sector workers to 9 percent of private sector workers.

Figure 2. Hourly Wage for Public and Private Sector, Connecticut 2021



*Data from EPI's extracts of the Current Population Survey and author's calculations.

Table 2. Hourly Wage and Key Factors by Major Sector, Connecticut 2021

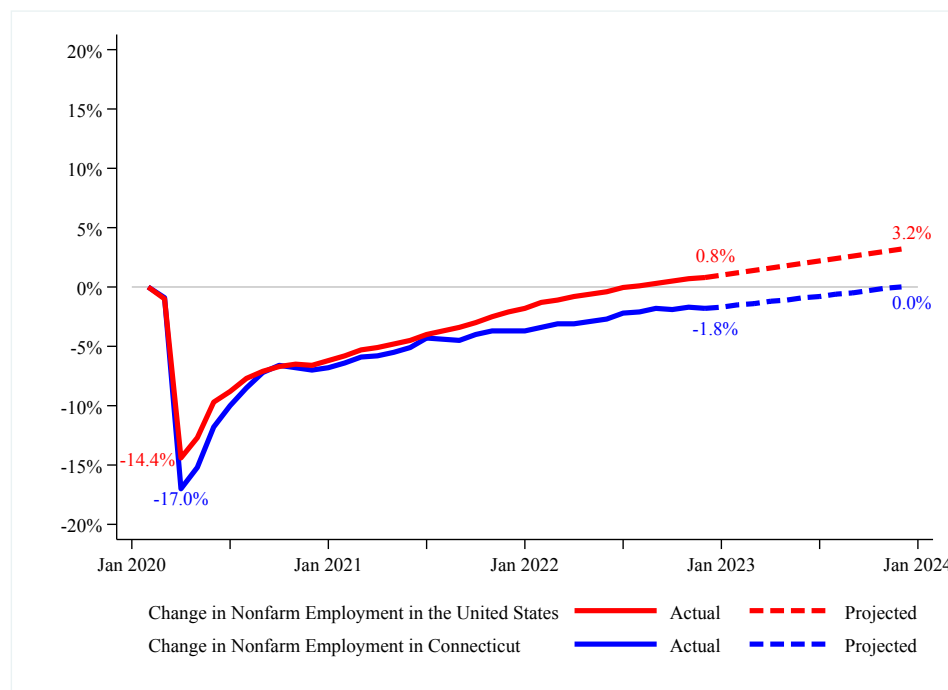
Major Sector	Hourly Wage				Average Age	Bachelor's Degree or Higher	Union Coverage
	Average	10th Percentile	50th Percentile	90th Percentile			
All Workers	\$34.11	\$13.00	\$24.79	\$62.50	43.0	46.7%	16.2%
Public Sector	\$33.76	\$15.00	\$31.25	\$50.55	47.0	65.0%	69.3%
Local Government	\$32.78	\$14.00	\$33.21	\$50.00	46.7	71.7%	68.9%
State Government	\$32.73	\$15.00	\$30.26	\$48.08	47.8	74.7%	75.4%
Federal Government	\$37.79	\$15.00	\$32.50	\$56.25	46.7	33.4%	60.5%
Private Sector	\$34.16	\$13.00	\$24.00	\$64.90	42.5	44.2%	9.1%
Construction	\$30.16	\$16.00	\$24.00	\$49.00	40.3	23.0%	15.4%
Manufacturing	\$38.78	\$15.00	\$30.02	\$65.00	45.1	38.2%	13.0%
Trade, Transportation, and Utilities	\$25.27	\$11.50	\$17.00	\$48.07	40.3	22.5%	6.2%
Information	\$44.79	\$15.00	\$33.46	\$109.81	41.6	78.4%	11.9%
Financial Activities	\$50.06	\$16.48	\$36.43	\$110.86	46.0	69.9%	5.2%
Professional and Business Services	\$44.59	\$13.64	\$31.25	\$99.82	40.0	61.6%	3.1%
Education and Health Services	\$32.96	\$14.00	\$25.50	\$57.69	44.4	55.4%	13.7%
Leisure and Hospitality	\$18.25	\$10.00	\$14.00	\$31.32	35.3	15.9%	5.1%
Other Services	\$20.29	\$11.25	\$16.85	\$36.00	45.0	32.7%	7.2%

*Data from EPI's extracts of the Current Population Survey and authors' calculations.

Increasing the number of wage and hours inspectors will help to boost Connecticut’s job recovery, which lags the job recovery for the U.S. as a whole and includes a disproportionate loss of state and local government jobs, the sector over which policymakers have the most direct control. Using the data available through December 2022, **Figure 3** shows the change in nonfarm employment in the U.S. and Connecticut since February 2020, the pre-pandemic-induced recession baseline.¹⁰ Employment in the U.S. decreased by 14.4 percent (22 million jobs) during the pandemic-induced recession, and the job shortfall was closed in July 2022. In comparison, employment in Connecticut decreased by 17 percent (289,400 jobs) during the pandemic-induced recession, the job shortfall stands at 1.8 percent (31,100 jobs), and the job shortfall is on track to close in December 2023, a year and a half after the recovery for the U.S. Moreover, by December 2023, the job growth gap between the U.S. and Connecticut since the start of the pandemic-induced recession is projected to stand at 3.2 percentage points compared to the current gap of 2.6 percentage points, meaning the job growth gap is on track to expand.

Expanding the analysis, **Table 3** shows that although the overall job shortfall in Connecticut is 1.8 percent as December 2022, it ranges from 1.4 percent for private sector jobs to 4.2 percent for public sector jobs—or, more specifically, 3.5 percent for local government jobs and 6.5 percent for state government jobs.¹¹ Therefore, in addition to reducing wage inequality and substantial gender, racial, and ethnic wage gaps, increasing the number of wage and hours inspectors will help to boost Connecticut’s job recovery, which is slower than the job recovery for the U.S. and is due in part to the disproportionate loss of state and local government jobs.

Figure 3. Actual and Projected Change in Total Nonfarm Employment



*Data (seasonally adjusted) from the U.S. Bureau of Labor Statistics and author’s calculations.

Table 3. Connecticut Nonfarm Employment by Major Sector and Industry

Major Sector and Industry	February 2020	November 2022	December 2022	Month to Month Change		Change Since February 2020	
				Number	%	Number	%
Total Nonfarm Employment	1,699,000	1,669,500	1,667,900	-1,600	-0.1%	-31,100	-1.8%
Public Sector	236,700	228,300	226,700	-1,600	-0.7%	-10,000	-4.2%
Local Government	146,200	142,700	141,100	-1,600	-1.1%	-5,100	-3.5%
State Government	71,900	67,300	67,200	-100	-0.1%	-4,700	-6.5%
Federal Government	18,600	18,300	18,400	100	0.5%	-200	-1.1%
Private Sector	1,462,300	1,441,200	1,441,200	0	0.0%	-21,100	-1.4%
Construction	59,500	63,300	62,200	-1,100	-1.7%	2,700	4.5%
Manufacturing	161,000	160,400	161,200	800	0.5%	200	0.1%
Trade, Transportation, and Utilities	293,500	297,400	297,600	200	0.1%	4,100	1.4%
Information	31,500	31,100	30,800	-300	-1.0%	-700	-2.2%
Financial Activities	122,600	116,200	116,300	100	0.1%	-6,300	-5.1%
Professional and Business Services	216,400	219,100	217,800	-1,300	-0.6%	1,400	0.6%
Education and Health Services	351,700	342,000	343,000	1,000	0.3%	-8,700	-2.5%
Leisure and Hospitality	159,500	150,700	151,700	1,000	0.7%	-7,800	-4.9%
Other Services	66,000	60,500	60,100	-400	-0.7%	-5,900	-8.9%

*Data (seasonally adjusted) from the U.S. Bureau of Labor Statistics and author's calculations.

CT Voices supports H.B. 6594: An Act Concerning Noncompete Agreements

H.B. 6594 would establish new restrictions on noncompete agreements, especially in making them unenforceable against low-wage workers—specifically, “if such worker is (1) an employee whose monetary compensation is less than three times the minimum fair wage, or (2) an independent contractor whose monetary compensation is less than five times such minimum fair wage.” CT Voices support this bill for the key reason addressed below.

Limiting the use of noncompete agreements for low-wage workers will help to reduce Connecticut's high level of wage inequality and substantial gender, racial, and ethnic wage gaps.

A noncompete agreement “restrains, or imposes penalties on, a worker from engaging in any lawful profession, occupation, trade, calling or business of any kind in any geographic area of the state for any period of time after separation from employment.”¹² The alleged purpose of making employees sign noncompete agreements is to prevent them from carrying trade secrets and intellectual property to new employers. However, noncompete agreements have become increasingly common for low-wage workers and in practice limit the ability of those workers to change their jobs and increase their pay. Reviewing the leading research on this problem, a study by the U.S. Treasury Department explains, “By design, non-compete agreements limit employees’

outside options, which, in turn, weakens workers' bargaining power and raises hiring costs for other firms. The limits are typically within a geographic area for a specific period and within a set of relatively similar occupations or industries but may be much broader." Researchers "show how this narrowing of outside options reduces employee bargaining power relative to their employer. All else equal, this leads to what they call a 'lock-in' effect: lower worker mobility and longer tenure, as well as a flat or declining wage profile."¹³ Additionally, a report by EPI highlights the increasing use of noncompete agreements for low-wage workers. For example, for workplaces in the U.S. with an average wage \$13 to \$17 an hour, 31 percent made all of their employees sign noncompete agreements and 57 percent made at least some of their employees do so.¹⁴ Limiting the use of noncompete agreements, especially for low-wage workers, will strengthen worker power and decrease wage inequality and gender, racial, and ethnic wage gaps.

JUST FACTS

- Connecticut has an higher level of wage inequality compared to the U.S. as a whole.
- Connecticut has substantial gender, racial, and ethnic wage gaps that increase wage inequality for certain groups of workers, even when controlling for the key wage factors of experience, education, union coverage, and more.
- Increasing the number of wage and hours inspectors will help to reduce Connecticut's high level of wage inequality and substantial gender, racial, and ethnic wage gaps because wage theft disproportionately harms low-wage workers, which disproportionately includes women and workers of color.
- Increasing the number of wage and hours inspectors will help to reduce Connecticut's high level of wage inequality and substantial gender, racial, and ethnic wage gaps because public sector jobs, which are highly unionized, have a fairer wage distribution.
- Increasing the number of wage and hours inspectors will help to boost Connecticut's job recovery, which lags the job recovery for the U.S. as a whole and includes a disproportionate loss of state and local government jobs, the sector over which policymakers have the most direct control.
- Limiting the use of noncompete agreements for low-wage workers will help to reduce Connecticut's high level of wage inequality and substantial gender, racial, and ethnic wage gaps.

Thank you for your time and consideration.

Sincerely,

Patrick R. O'Brien, Ph.D.
Research and Policy Director
Connecticut Voices for Children

References

- ¹ Economic Policy Institute. [Current Population Survey Extracts](#); Patrick R. O'Brien and Lin Kabachia, ["The State of Working Connecticut,"](#) Connecticut Voices for Children, 2022.
- ² Economic Policy Institute. [Current Population Survey Extracts](#); Patrick R. O'Brien and Lin Kabachia, ["The State of Working Connecticut,"](#) Connecticut Voices for Children, 2022.
- ³ Economic Policy Institute. [Current Population Survey Extracts](#); Patrick R. O'Brien and Lin Kabachia, ["The State of Working Connecticut,"](#) Connecticut Voices for Children, 2022.
- ⁴ Economic Policy Institute. [Current Population Survey Extracts](#); Patrick R. O'Brien and Lin Kabachia, ["The State of Working Connecticut,"](#) Connecticut Voices for Children, 2022.
- ⁵ Economic Policy Institute. [Current Population Survey Extracts](#); Patrick R. O'Brien and Lin Kabachia, ["The State of Working Connecticut,"](#) Connecticut Voices for Children, 2022.
- ⁶ Lauren Ruth, Patrick O'Brien, Emily Byrne, Sana Shah, Ryan Wilson, Erin Sheehan, and Susana Barragan, ["Issue Briefing Book, 2020–2022,"](#) Connecticut Voices for Children, 2020.
- ⁷ Ihna Mangundayao, Celine McNicholas, Margaret Poydock, and Ali Sait, ["More Than \\$3 Billion in Stolen Wages Recovered for Workers Between 2017 and 2020,"](#) Economic Policy Institute, 2021.
- ⁸ Economic Policy Institute. [Current Population Survey Extracts](#); Patrick R. O'Brien and Lin Kabachia, ["The State of Working Connecticut,"](#) Connecticut Voices for Children, 2022.
- ⁹ Economic Policy Institute. [Current Population Survey Extracts](#); Patrick R. O'Brien and Lin Kabachia, ["The State of Working Connecticut,"](#) Connecticut Voices for Children, 2022.
- ¹⁰ U.S. Bureau of Labor Statistics. [Total Nonfarm Employment in the U.S.: Series ID CES0000000001](#). [Total Nonfarm Employment in Connecticut, Seasonally Adjusted: Series ID SMS090000000000000001](#). Job shortfall projection based on 6-month moving average of growth in nonfarm employment.
- ¹¹ U.S. Bureau of Labor Statistics. [Table 3. Employees on Nonfarm Payrolls by State and Selected Industry Sector, Seasonally Adjusted](#). [Local Government Employment in Connecticut, Seasonally Adjusted: Series ID SMS09000009093000001](#). [State Government Employment in Connecticut,](#)

[Seasonally Adjusted: Series ID SMS09000009092000001. Federal Government Employment in Connecticut, Seasonally Adjusted: Series ID: SMS09000009091000001.](#)

¹² Connecticut General Assembly, [“H.B. 6594: An Act Concerning Noncompete Agreements,”](#) 2023.

¹³ U.S. Treasury Department, [“The State of Labor Market Competition,”](#) 2022.

¹⁴ Alexander J.S. Colvin and Heidi Shierholz, [“Noncompete Agreements: Ubiquitous, Harmful to Wages and to Competition, and Part of a Growing Trend of Employers Requiring Workers to Sign Away Their Rights,”](#) Economic Policy Institute, 2019.